

# INFORMATION

DEVELOPMENT COOPERATION

FOOD AID

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PROGRESS

PROBLEMS

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## EEC FOOD AID - PROGRESS, PROBLEMS AND PROSPECTS

Food aid is a serious and complex problem which reflects the serious, complex problems of the hungry themselves.

There is more to it than salving one's conscience by disposing of a few thousand tons of surplus grain or milk powder. This the donor countries, and the Community in particular, have understood. Food aid must be an integral part of the overall development cooperation policy and must be planned in the light of the international trade situation.

But although a good deal of progress has been made, we are still a long way from a solution. The food situation in the developing countries is deteriorating despite the good production figures of the last few years. And there is far too great a tendency for food aid programmes, those of the EEC included, to be piecemeal. The Nine, all the stronger for working together, must now deal with the issue as a matter of priority.

### Background

Before examining, and criticizing, if need be, the Community's aid policy, we must, although everyone already has some idea of what is involved, take another look at the gravity of the world food problem. Future prospects give little cause for satisfaction.

### The continuing food crisis

Recent harvests certainly seem to have put an end to the critical period of famine that struck so many countries. But for a quarter of mankind, the problem of malnutrition is on the increase. The respite from the continuing food crisis will be but short-lived. In 1985, the developing countries' shortfall of just one of the essential items - grain - will be 110 million t.

Production over the last two years has, of course, attenuated the critical situation of 1973 and 1974 by enabling large stocks to be built up. Grain harvests have been better in countries with both planned and free market economies, although the 3.3% growth rate that the FAO (UN Food and Agriculture Organization) considers vital has not yet been reached and we are far from achieving the 4% fixed by the World Food Council in 1974.

Results in 1975 and 1976 were, in fact, only just sufficient to enable per capita grain production in the developing countries to return to the 1969-71 level. This very slight improvement, moreover, did not benefit everyone and in 1976/77 the poorest countries, excluding Bangladesh, India and Pakistan, needed to import 9.6 million t of food, as against 8.4 million t in 1975/76 (source - FAO).

But what is even more serious is the fact the most developing countries became more dependent (for purchases and for grants) on the so-called rich countries. And sooner or later, the world will have to cope with a bad harvest in Asia or poor results in Russia and China.

### Malnutrition is always with us

The recent building up of stocks by no means constitutes a decisive victory. At the end of 1976/77, grain stocks stood at about 155 million t, the highest level since 1972 (165 million t). This figure is the same as that for 1961, although there are now one thousand million more people to feed.

And then, of course, the piling up of reserves could well accentuate the slump in prices and discourage production.

There is still malnutrition everywhere, particularly on the Indian sub-continent. All estimates, however widely they may vary, are pessimistic about the situation in the third world. The FAO says that the poorest countries only covered 90% of their minimum needs in 1972/74, as against 92% in 1969/71. The IBRD says that, in 1975, more than a thousand million people were below the minimum food requirement mark - a deficit equal to 37 - 49 million t of cereals. Other sources claim that 60 - 88 million t would have been needed - 20% or 30% more than the developing nations are currently able to produce (source - IFPRI).

The conclusion is clear. The world is still living from hand to mouth in a silent food crisis.

### Pessimism for the future

All the experts agree that the food situation in the developing countries will go on deteriorating in the future and countries with free market economies will have a shortfall of 70 - 80 million t of cereals in 1985 (sources - FAO & IBRD). Add the nutritional deficit and, the Commission suggests, the figure goes up to 110 million t. And this is a very conservative estimate...

In all probability, these countries, particularly the poorer ones amongst them, will therefore see their per capita consumption drop even lower.

International aid can, of course, be used to launch production expansion programmes in the Mekong Basin or in Sudan, for example, but, in the short term, the impact on such an enormous problem would be minimal.

The target of a 4% p.a. increase (as against the present 2.6%) in food production in the developing countries would cost \$ 8 300 million. This is the World Food Council's estimate. And then there are the World Bank's figures, suggesting that it will take \$ 5 000 million p.a. if the 35 poorest countries are to produce the 45 million t extra grain they need every year.

Estimates in this field still vary widely, although they all paint a pessimistic picture, to say the least.

### Better food aid

There is further cause for concern. The improvements to food aid policy called for by the World Food Conference are still far from being realized.

The developing countries now import almost twice the amount of grain they imported in the early sixties and food aid accounts for a far smaller share, falling short of the Conference's 10 million t target. Practically no progress has been made towards long-term planning of food aid supplies either.

A multiannual supply plan would, nevertheless, be of enormous advantage from the nutrition point of view and also as:

- i a development mechanism;
- ii a cohesive link between the beginning of production expansion programmes and the results they achieve;
- iii insurance against inevitable climatic variations.

The piecemeal policy currently practised by most donor countries in this field is now inadequate. They must stop thinking in terms of annual programmes and start planning regular supplies over long periods. Aid must also be selective - i.e. channelled to the most needy and vulnerable populations.

The obvious criticism is that food aid is a poor means of meeting current needs. But it has a part to play - perhaps even a decisive one - in the short term, provided it can be made really effective. It must be adequate in terms of volume and planned to cover a certain period of time.

From this point of view, the EEC has clearly not yet lived up to expectations. The discussion of food aid policy within the Community is now open.

### EEC food aid - progress and problems

What has the EEC done, what is it doing and what more could it do about the urgent problem of malnutrition? Here is a brief summary of what has been done to date.

#### The beginnings

On 1 July 1968, the Food Aid (Cereals) Convention, one of the upshots of the Kennedy Round of 1964-67, entered into effect. The EEC's contribution was fixed at 1 035 000 t, 23% of the total, as against 42% for the US.

Under this agreement (later renewed), Community deliveries rose to 1 161 000 t in 1972/73 and 1 287 000 t in 1973/74 when the three new Member States joined. The amounts were divided between Community and national schemes, the latter accounting for 70.9% in 1968/69 but only 55% in 1973/74.

There were three kinds of aid - emergency aid, nutritional aid and ordinary aid intended to help recipient countries save foreign exchange for other purposes.

In the early years, aid went (in decreasing order of quantities) to the Far East, Africa, the Middle East, the Maghreb and Latin America.

The EEC began sending milk products in 1970, in response to requests from both international organizations and the developing countries themselves. Moreover, the Community had considerable reserve stocks of these products.

Supplies, sporadic to begin with, became regular in 1974. In 1970, 127 000 t (120 000 t for the WFP) of milk powder were provided. In 1972, 60 000 t of milk powder and 15 000 t of butteroil were sent, although there were no schemes of this kind the previous year. 13 500 t of milk powder were provided in 1973 and 55 000 t of milk powder and 45 000 t of butteroil in 1974.

From the outset, this type of aid, contrary to what happened with cereals, was organized on a Community basis. Three criteria were adopted - the situation on the Community market, requests from the third world and the actual needs of the third world, calculated primarily on the basis of their usual possibilities of importing milk, oils and fats. Care was needed to ensure that the free supplies did not distort trade in the sector, particularly to the detriment of the EEC itself.

Finally, in 1973, food aid included, for the first time, sugar consignments (of an average 6000 t every year) to UNRWA (the UN Relief and Works Agency for Palestine Refugees). It also included a one-off scheme involving donating 500 t of egg products to the WFP.

#### Commission proposals in 1974

As Community food aid came into being, the third world's situation deteriorated, largely because of the international food market crisis. This led to the World Food Conference in November 1974, when donor countries were called upon to make a greater effort.

In March and November of the same year, the Commission presented the Member States with two reports on a new policy for development aid. The Nine have not so far reached any firm conclusions as to these reports, but much of what was proposed has already been put into practice.

One of these two documents on food aid suggested that the prime aim was to boost agricultural production in the third world. Donations from the industrialized countries should not, therefore, hamper progress within this field, but simply allow recipients to use some of their financial resources to acquire their own means of production.

The Commission then outlined the four shortcomings of Community action - the small volume of supplies, commercial motivation in the case of milk products (stocks), slow-moving procedure and the absence of any long term plan of commitments.

It used this as a basis for suggesting that they:

- i draw up a three-year programme to ensure continuity of supplies;
- ii supply a variety of products, primarily processed cereals and powdered egg;
- iii step up quantities, increasing cereals, for example, from 1.28 million to 1.7 - 2.5 million t;
- iv simplify the decision-making process.

Although these proposals have been approved by the European Parliament and the Economic and Social Committee, the various governments cannot reach agreement, particularly on multiannual aid planning.

#### Priority to the poorest

Requests for Community aid (cereals) are constantly on the increase. They involved more than 2.4 million t in 1974/75, the years when deliveries became even more concentrated on the poorest countries.

In 1974/75 and 1975/76, the Indian sub-continent and the Sahel were the priority areas and in 1976/77 emphasis was more on the Middle East and eastern Africa.

Except in emergencies where there is a risk of famine, there are three criteria for selection. There must be a food shortfall, an annual per capita income of less than \$ 300 and a balance of payments deficit. An increasing percentage of aid (13.2% in 1974/75 and 16.7% in 1976/77) now goes to international organizations, particularly the WFP.

Finally, the Community share of the Nine's 1 287 000 t contribution under the Food Aid Convention, which is renewed for periods of one or two years at a time, was stepped up to 56% in 1976/77 (as against 55% in 1975/76 and 50% in 1974/75).

EEC deliveries of milk products have stabilized. The butteroil consignment has stood at 45 000 t p.a. since 1974. The figure for milk powder was 55 000 t in both 1974 and 1975, but the developing countries' needs and the fact that the Nine had considerable stocks at its disposal led to the figure being put at 150 000 t in 1976. The Council of Ministers in fact fixed it at 200 000 t, 50 000 t of this being for 1977.

This year, 105 000 t (55 000 t + 50 000 t) of food aid, plus a further 45 000 t voted at the insistence of the European Parliament, have been provided.

The Commission now intends proposing that the EEC adopt regular 150 000 t milk powder programmes as from 1978. The proposal will be accompanied by an in-depth study of both the prospects offered by supplies of this product and of the problems involved.

The principal beneficiaries of milk products are, here again, the poorest countries, especially those of the far east, Bangladesh, for example. Selection here is based on similar criteria as for cereals, a daily ration of 30 gr of milk powder and 20 gr of butteroil being the basis for calculation.

However, there are four special factors to take into consideration in this sector. One, the Community is the world's leading supplier and, as such, has a special responsibility towards the countries of the third world. Two, supplies can be processed (milk powder + butteroil = full cream milk) at their destination. Three, milk powder is easily mis-used (lack of vitamin A) and therefore has to be enriched. Four, in some cases, there are no local reconstitution plants or storage facilities. All this partly explains why deliveries are, perforce, restricted.

Then, the Community's food aid (milk products) programme has also been increasingly geared away from support for the balance of payments towards direct assistance with specific projects, particularly nutritional and development schemes.

This new trend could ensure that aid in the form of milk products is more effective and could provide tangible support for the emerging policy of developing milk production in the third world.

Finally, the EEC has continued providing its sugar consignments to UNRWA, providing 6 100 t in 1975 and 6 094 t in 1976.

#### The Commission tries again

The Commission has now proposed - unsuccessfully again - a three-year (1977 - 1979) indicative programme as summarized below:

Product	Annual target	Commitments for 1976
Cereals .....	1 650 000 - 2 500 000	1 287 000
including Community schemes.....	1 077 000 - 1 350 000	
Milk powder.....	150 000 - 175 000	150 000
Butteroil.....	45 000 - 65 000	45 000

As far as cereals are concerned, the plan was an answer to the international organizations' frequent criticism of the Community for failing to respond to the appeal launched by the World Food Conference. The Council has only so far taken a decision on the principle of three-year planning.

The effort called for in the milk powder sector was reasonable bearing in mind that aid has positive results in that it boosts investments in both infrastructure and the dairy industry in the recipient countries. Finally, the suggestion for butteroil was a conservative one, which took both the developing countries' capacity for consumption and Europe's processing possibilities into account.

### Problems of content and form

The question of what Community aid should consist of has not yet been fully resolved. It involves many, often inconclusive, discussions and a variety of attitudes on the part of the Member States. The Nine are still unable to agree on the size and continuity of EEC commitments. Neither can they agree as to the advisability of setting up a system of regular supply contracts at competitive prices, although this sort of trade policy would, if properly run, be of real benefit to the third world, for which present donations are inadequate, and compatible with European interests.

As far as quantities are concerned, the budgetary means allocated by the Council are still quite inadequate to meet the developing countries' needs or to answer the regular appeals from international organizations. The Community cereals schemes should never have involved less than a million tonnes. But they always have done.

In 1975, food aid represented almost 50% of Community financial aid, but only 5.5% of the net payments the Member States themselves made to the third world - \$ 330 million of the total \$ 6 000 million devoted to national (4 300 million) and multilateral (1 700 million) schemes, of which 670 million was channelled via the Community and 1 700 million via other organizations, such as the UN.

Time is also a problem in view of the complicated procedure that still has to be followed, leading to late delivery and inadequate supervision as to how the products should be used. Progress has been made, but there is still a long way to go, particularly bearing in mind the fact that certain Member States do not manage to adopt their intended national programmes in time.

### Too many national differences

Community food aid deserves more than just criticism. Quite the contrary. There have been clear improvements. There are regular increases in tonnage, there is a wide range of products, emergencies are catered for and priority goes to the poorest. This is concrete progress and in line with Commission policy.

Total expenditure on food aid over the 1968 - 1975 period was \$ 525.5 million in Germany, \$ 368.9 in France, \$ 227.1 million in Italy, \$ 192.2 million in the Netherlands, \$ 177.2 million in the United Kingdom, \$ 108.2 million in Belgium and \$ 86.2 million in Denmark (source - OECD).

However, the Member States do not all accord the same importance to aid of this type. Those that export food products, cereals and milk products are in favour, but the net importers prefer financial and technical aid that is geared to developing agricultural production in the third world.



Furthermore, certain other Member States display particular reluctance because of the financial burden that food aid imposes.

Opinions also vary as to how aid should be shared between the Sahel, India, Pakistan, Bangladesh and so on.

The last bone of contention is what stress to lay on multilateral schemes. The United Kingdom, the Netherlands and Denmark put more emphasis than their partners on the rôle of international organizations, like the World Food Programme.

This is a brief summary, but it shows the complexity of the task facing the officials in Brussels whose job it is to rationalize, coordinate and plan the Community's food aid programme.

### Striking a happy balance

All these difficulties arise from the fact that food aid is not a flexible means of boosting development.

Many factors have to be borne in mind, primarily the normal patterns of trade (which must not be upset) and the common agricultural policy with its production requirements and trade problems. Food aid must also fit in with the efforts made by the third world to develop its own production.

Obviously, free delivery of cereals or milk powder is not, and cannot, be an end in itself. It is part of the overall strategy of cooperation.

### In-depth discussion

The discussion is now open. The following improvements could prove profitable in the medium term:

- i a substantial increase in quantities, particularly of cereals;
- ii multiannual supply planning;
- iii an increase in the Community share of aid in the form of cereals;
- iv the simplification of the EEC decision-making procedure in this field.

The inevitable question in the long term is to decide on the targets of EEC food aid. Opinions still differ, although three rough tendencies emerge.

- (1) Food aid, primarily intended to meet the developing countries' needs, is only a temporary means of speeding up the economic modernization of the third world, this process being likely to increase the external outlets of European industries later on.

- (2) Food aid is part of a trade policy aimed at developing regular trade and, thus, increasing possibilities of sale of Community agricultural products.
- (3) Food aid is of minimal interest to the donor countries.

Trends over the last 30 years seem to suggest that (1) and (2) are right and (3) wrong. Food aid has helped promote the economic development of the third world and it has encouraged trade between underdeveloped and donor countries.

Seen from this angle, food aid is a complex matter with many implications. A balance must be struck between the interests of the third world and the demands of the industrialized world.

This is what the Community is seeking to do.

# ANNEX I

## Anticipated growth of food imports required by those developing countries with a food production shortfall (1961/3 - 1980)

	1961-63 real	1964-66 real	1970 estimate	1980 projection
Estimated volume of imports required (in million tonnes)				
<u>Cereals</u>				
Africa.....	2 610	2 814	3 693	5 382
Latin America.....	5 550	6 811	3 594	10 507
Middle East.....	4 000	4 703	5 387	9 418
Far East.....	11 160	15 113	12 975	10 940
Total cereals.....	23 320	29 441	29 649	36 247
Milk and milk products (a).....	1 088	3 767	5 089	19 770
Oils and fats (b).....	1 040	1 380	1 934	4 046
Sugar.....	3 370	3 859	4 218	5 174
Meat.....	515	541	685	1 839
Value of import requirements at 1970 prices (US \$ million)				
Cereals.....	1.7	2.2	2.2	2.5 (6.1) <sup>1</sup>
Milk and milk products (a).....	0.1	0.3	0.4	1.5 (2.2) <sup>1</sup>
Oils and fats.....	0.3	0.4	0.5	1.1 (1.9) <sup>1</sup>
Sugar.....	0.4	0.4	0.5	0.6 (1.4) <sup>1</sup>
Meat.....	0.4	0.4	0.5	1.3 (2.6) <sup>1</sup>
Total.....	2.9	3.7	4.1	7.0 (14.2) <sup>1</sup>

(a) in milk equivalent, butter excluded

(b) butter included

<sup>1</sup> based on world prices in the last three months of 1973

Source - FAO estimates

BREAKDOWN OF FOOD AID COMMITMENTS BY PROGRAMME, PRODUCT,  
QUANTITY AND VALUE (estimate at world price)

Cereals programme (commitments)

	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
<u>Quantity (t)</u>								
Community schemes	301 000	337 000	353 000	414 000	464 400	580 000	643 500	708 000
National schemes	734 000	698 000	682 000	621 000	696 600	707 000	643 500	579 000
	1 035 000	1 035 000	1 035 000	1 035 000	1 161 000	1 287 000	1 287 000	1 287 000
<u>Value (million EUA)</u>								
Community schemes	19.6	21.9	30.7	29.4	71.0	110.2	86.87	97.9
National schemes <sup>1</sup>	47.7	45.4	59.3	44.1	106.6	134.3	86.87	80.1
	67.3	67.3	90.0	73.5	177.6	244.5	173.74	178.0

Other products (commitments)

	1970	1971	1972	1973	1974	1975	1976
<u>Quantity (t)</u>							
Milk	127 000	-	60 000	13 000	55 000	55 000	150 000
Butteroil	37 000	-	15 000	-	45 000	45 000	45 000
Eggs	-	-	500	-	-	-	-
Sugar	-	-	6 150	6 062	6 094	6 100	6 094
<u>Value (million EUA)</u>							
Milk	73.4	-	39.1	8.9	46.0	30.2	76.98
Butteroil	57.9	-	19.6	-	61.1	64.1	68.95
Eggs	-	-	1.2	-	-	-	-
Sugar	-	-	1.6	1.9	3.7	2.3	2.33
Financial contribution	-	-	1.6	1.6	3.8	2.6	1.00
	131.3	-	63.1	12.4	114.6	99.2	149.26

<sup>1</sup> Calculated at the same average per tonne as for Community schemes.

ANNEX IIIProgrammes 1976/77 (Commitments)

PRODUCT	QUANTITY	VALUE (million EUA)
<u>1. CEREALS</u>		
Community schemes	720 500	81.2
	= 56%	
National schemes	566 500	63.8
	= 44%	
<u>2. MILK PRODUCTS</u>		
Milk powder	150 000	55.5
(first instalment)	(105 000)	(41.5)
(second instalment)	( 45 000)	(14.0)
Butteroil	45 000	47.0
<u>VALUE</u>		
Community schemes	-	183.7
National schemes	-	63.8
<u>TOTAL</u>	-	247.5